

## Message Text

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PAGE 01 STATE 036798  
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 L-03 FEA-01 ERDA-05 AID-05  
CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01  
INR-07 INT-05 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06  
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01  
/103 R

DRAFTED BY EB/FSE:RMARTIN:KAM  
APPROVED BY EB/ORF:SWBOS'ORTH  
L/EB:GROSEN  
FEA:JMORRIS

-----180626 085760 /10

R 172119Z FEB 77  
FM SECSTATE WASHDC  
TO USMISSION OECD PARIS

CONFIDENTIAL STATE 036798

E.O. 11652: N/A

TAGS: ENRG

SUBJECT: IEA: PRICING IN AN EMERGENCY: U.S. SUGGESTED  
TEXT FOR INCLUSION IN IEA EMERGENCY MANAGEMENT MANUAL

1. AT LAST SEQ MEETING DELEGATIONS WERE ASKED TO PUT FORWARD TEXT OF APPROPRIATE PARAGRAPHS TO BE INCLUDED IN THE EMERGENCY MANAGEMENT MANUAL ON SUBJECT OF OIL TRADING AND PRICING IN AN EMERGENCY. ATTACHED TEXT, WHICH REPRESENTS A REVISION TO ROOM DOCUMENT 5 DISTRIBUTED AT DECEMBER 9 MEETING SHOULD BE PASSED TO KEMPERMANN, SECRETARIAT STAFF.

2. BEGIN TEXT: WITH REFERENCE TO PARA 7, ITEM (E) OF IEA/SEQ/M (76)6, THE FOLLOWING IS PROPOSED AS AN AMENDMENT TO THE TEXT OF THE EMERGENCY MANAGEMENT MANUAL.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 036798

A. CHAPTER C, SECTION I, ITEM 5. (A) CHANGE ITEM "(II)" TO BE "(III)"; (B) INSERT NEW ITEM "(II)":

(II) DISPUTES ON PRICES ARISING FROM THE ALLOCATION PROCESS WOULD NORMALLY BE A MATTER TO BE RESOLVED BETWEEN THE PARTIES PURSUANT TO APPLICABLE NATIONAL LAW AND THE PRINCIPLES OF THIS SECTION. IN SOME CIRCUMSTANCES, WHERE A DIS-

PUTE OVER PRICING COULD NOT BE SETTLED BY THE PARTIES INVOLVED AND WHERE NON-RESOLUTION OF SUCH A DISPUTE WOULD IMPEDE THE ALLOCATION PROCESS, THE IEA ALLOCATION COORDINATOR COULD HAVE A ROLE AS CONCILIATOR, AS SPECIFIED UNDER C. III 12(II).

(C) REPLACE THE LAST SENTENCE BY THE FOLLOWING:

"INFORMATION USED IN MONITORING THE PRICE SITUATION AND FOR ANY CONCILIATORY ACTION BY THE IEA ALLOCATION COORDINATION SHOULD INCLUDE THAT LISTED IN ANNEX IV AND THAT BEING COLLECTED BY THE STANDING GROUP ON THE OIL MARKET."

B. CHAPTER C, SECTION III, ITEM 12. 12. IEA ASSISTANCE TO RESOLVE DISCREPANCIES ARISING ON A NATIONAL LEVEL (I) AS IN MANUAL; (II) WHERE A DISPUTE OVER PRICING WOULD IMPEDE THE ALLOCATION PROCESS, AND WHERE A NATIONAL ADMINISTRATION IS NOT IN A POSITION TO INSURE THAT THE MATTER IS RESOLVED - NOTABLY WHEN A PARTY INVOLVED IS NOT UNDER ITS JURISDICTION - THE IEA ALLOCATION CO-ORDINATOR COULD BE REQUESTED, BY ANY OF THE PARTIES INVOLVED, TO ACT AS A CONCILIATOR. THE CHAIRMAN OF THE SEQ EMERGENCY GROUP WOULD BE IMMEDIATELY INFORMED BY THE ALLOCATION COORDINATOR, OF SUCH A REQUEST. SUCH CONCILIATION SHOULD NORMALLY SUFFICE TO SETTLE PRICING DISPUTES SO THAT INITIATION OF FORMAL ARBITRATION PROCEDURES COULD BE AVOIDED.

THE IEA ALLOCATION CO-ORDINATOR WOULD EVALUATE THE EVIDENCE PRESENTED BY EACH OF THE PARTIES CONCERNED; SUCH EVIDENCE SHOULD TO THE EXTENT APPROPRIATE INCLUDE, BUT NOT BE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 036798

LIMITED TO, THE FOLLOWING.

- A. IDENTIFY AND ADDRESS OF SELLER AND BUYER.
- B. PRICE DIFFERENTIAL IN DISPUTE, SPECIFIED AS APPROPRIATE.
- C. TYPE, QUALITY AND COUNTRY OF ORIGIN OF THE OIL.
- D. BASIS UNDER WHICH THE OIL IS SUPPLIED - E.G., MANDATED OR VOLUNTARY SALES PURSUANT TO IEA ALLOCATION PROCEDURES.
- E. ANY RELEVANT CONTRACTUAL PROVISIONS INCLUDING PRICE RELATING TO THE TRANSACTION.
- F. F.O.B. COSTS OF THE OIL, TRANSPORTATION AND OTHER COSTS OF DELIVERY OF THE OIL TO THE BUYER.
- G. ELEMENTS OF ADDITIONAL COSTS INCURRED.
- H. PRICE OF COMPARABLE TRANSACTIONS WITHIN THE IEA AREA.
- I. REASONS FOR THE DISPUTE BETWEEN THE PARTIES.
- J. THE CLAIM OF THE SELLER AND/OR BUYER WITH RESPECT TO E.G., PRICE, COST, DAMAGES OR CONTRACTUAL TERMS.

THE IEA ALLOCATION CO-ORDINATOR WILL ALSO TAKE INTO ACCOUNT  
GENERAL PRICING INFORMATION AVAILABLE FROM THE SOM REPORT-  
ING SYSTEM, AND OTHER AVAILABLE INFORMATION (SEE ANNEX IV).  
IF THE PARTIES INVOLVED AFTER CONSIDERING ANY PROPOSALS  
MADE BY THE IEA ALLOCATION CO-ORDINATOR DO NOT AGREE TO  
SETTLE THE DISPUTE, IT COULD THEN BE REFERRED TO  
ARBITRATION.

III. IN ORDER TO FACILITATE ALLOCATION, SHOULD A PRICING  
DISPUTE BE REFERRED TO THE IEA FOR CONCILIATION OR TO  
ARBITRATION, ANY UNDISPUTED AMOUNTS SHOULD BE PAID WHEN  
DUE; THAT AMOUNT WHICH IS IN DISPUTE SHOULD BE PAID INTO  
ESCROW BY THE BUYER PENDING FINAL RESOLUTION.

IV. AS IN MANUAL AT ITEM III.

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PAGE 04 STATE 036798

C. ADD ANNEX IV (BEING IEA/SOM (75)32 AND ATTACHMENT II  
OF ROOM DOCUMENT NO. 6 OF LAST SEQ MEETING). END TEXT.

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009